NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

November 21, 2014
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Audit Exit Conference – Hinkle and Landers**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.
Document will be provided at the meeting.

B. **Minutes from August 22, 2014**
Draft Minutes.

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Finance Subcommittee Meeting

August 22, 2014

9:00 a.m.

Board Members Present: *Leandro Cordova - Taos County (Telephonically), Pete Sheehey – Los Alamos County, Tim Vigil – Pueblo of Pojoaque*

Staff Present: *Anthony Mortillaro – Executive Director, Glenda Aragon – Finance Director, Dalene Lucero – Executive Assistant*

Guest(s) Present: *Farley Vener – Hinkle and Landers*

Absent: *Commissioner Miguel Chavez – Santa Fe County, Commissioner Barney Trujillo - Rio Arriba County*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

APPROVAL OF AGENDA

CALL TO ORDER

A regular Finance Subcommittee meeting was called to order on the above date by Mr. Anthony Mortillaro at 9: 21 a.m.

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Fiscal Year 2014 Audit Entrance Conference with Hinkle and Landers

Ms. Aragon gave a brief overview on this item, stating that she and Mr. Vener reviewed the contract and it was submitted to the State Auditor's Office for Hinkle and Landers to proceed with the FY14 audit. Ms. Aragon then turned it over to Mr. Vener.

Mr. Vener proceeded to go over the PowerPoint presentation, in which he gave a brief introduction in regards to the Audit Entrance Conference. He stated that he, Katelyn Constantin, and another staff member would be working on this years' audit for the District. He went on to state the general objectives of the audit, stating that they wished to provide an overview of the FY14 Audit Process; to establish two-way communication with management and the governing Board of Directors; to define the auditor and management responsibilities under generally accepted auditing standards; to provide an overview of the planned scope and timing of the audit; as well as discuss any questions or changes. Mr. Vener went on to define the auditors responsibilities stating that the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are fairly, in all material respects, in conformity with generally accepted accounting principles.

Mr. Vener continued stating that the audit is designed to form an opinion about the District's financial statements. He noted that Management is then responsible for providing the financial statements to the auditors and to have internal controls over the financial reporting, which includes the Schedule of Expenditures of Federal Awards (SEFA), as well as to designate individual(s) with the skill set to work with the auditors in evaluating the adequacy and results of the audit. Mr. Vener referred to slide (7) seven of the presentation in which he continued to briefly go over the Management responsibilities. He went on to describe the three (3) components of a New Mexico Audit: (FS) Financial Statement Audit, (A-133) Single Audit where they audit federal awards, and (OSA) the State Auditor Compliance Audit.

Mr. Vener went on to the next slide stating that by state law they are required to look at compliance in regards to the Procurement Code, Per Diem and Mileage Act, Personnel Act and State Personnel Administration, Investment of Public Money, and the Public Employees Retirement Act (PERA), etc.

Mr. Mortillaro asked if there was a new GASB regulation regarding PERA in this audit year or next audit year.

Mr. Vener noted that the District is going to rely on PERA as the total "collective" pension liability will then be allocated to the participant employers for financial reporting.

Ms. Aragon stated that this would be done in FY2015.

Mr. Cordova stated that it would be done next year. He noted that his wife was the new CFO for PERA, and that this was a new project for her.

Ms. Aragon, noted that the District would be relying on information from PERA in order to report that liability. It is almost impossible for the individual entities in PERA to estimate what the liability may be.

Mr. Mortillaro stated that the District makes contributions to PERA while an individual is employed with the District, but once they leave there is no further liability. So it is perplexing as to how that is to be assigned to the entity.

Mr. Vener mentioned that it would be interesting and very complex. However, it is believed that PERA will have outside assistance to come up with the unfunded liability in which they will later allocate it to everyone participating in PERA.

Mr. Cordova noted that it is the employer's liability while they are under the entities pension.

Councilor Sheehey stated that after the most recent reform, PERA was up around seventy (70) percent funded. However, the remaining thirty (thirty) percent is still a lot of money. So the question is, who is truly liable for the remainder. Does this mean that all of the participating entities will be called back to pay the liability?

Further discussion went on regarding this item.

Mr. Vener continued with the presentation noting the various areas of compliance in which the auditors will be testing for. He went on to mention the new GASB standards and regulations that were previously discussed regarding pensions (GASB 67 and 68).

Mr. Vener noted that he believed nothing would impact the District this year. He stated that GASB 65 was implemented early. He explained this item further.

Mr. Mortillaro noted that last year there was an issue where an asset was purchased, but not received until the following year, which is when it was booked. This year, we book it into the same year it is purchased.

Ms. Aragon agreed, she noted that it would be booked under other assets because the District does not prepay for anything until it is received.

Mr. Vener stated that it books when title passes. However, it seems like a timing issue.

Ms. Aragon noted that as discussed with Mr. Vener and Ms. Katelyn Constantin, it was agreed that the District would be booked as an other asset. She went on to explain that the asset is not paid for until it is received. Ms. Aragon stated that she wanted to ensure it would not be a finding in this year's audit report.

Mr. Vener stated that it would be straightened out because it sounded like an encumbrance.

Mr. Vener went on to ask if there were any significant accounting issues, unusual transactions, changes to accounting methods, fraud, etc. He then noted that he read an article in the Rio Grande Sun stating that revenues were down.

Mr. Mortillaro stated they were not, and the initial article was incorrect; a correction was later submitted in the Rio Grande Sun the following week for the misprint.

Mr. Vener mentioned that he heard a new potential route could be brought to the Santa Fe Ski area.

Mr. Mortillaro stated that there were some knew routes being brought forth as approved by the Board effective January 2015 that will be on a six (6) month trial basis. However, the Board has not authorized the Ski Santa Fe route as of yet; it is still under discussion and analysis.

Mr. Vener asked if there was anything new coming on or any significant changes.

Ms. Aragon stated that the District had a new capital expenditure, which was the Avail Intelligent Transportation System. She noted that it was about seventy (70) percent complete as of June 30th. Ms. Aragon went on stating the Avail is still getting information regarding the actual equipment and installation cost segregated from the actual service; this should be in by the end of next week, this will be booked as an asset for the percentage that has been completed.

Ms. Aragon stated that another significant issue, is that the District found that a Section 218 Agreement had not been implemented by which it was taken to the Board and an

individual election had taken place. She continued further stating that the District is no longer collecting Social Security for a total of fifteen (15) employees that opted out of Social Security. Therefore, the District had to perform 941 corrections for a period of three (3) years, which has already been done. Now the District is waiting on the fully executed Section 218 Agreement from the Social Security Administration, as well as a refund check for the 941 corrections for both the employee and employer contributions.

Mr. Vener asked if an accrual had already been booked for that or if it was something that needed to be discussed further.

Ms. Aragon replied, stating that it was something that needed to be discussed along with booking the assets for capital expenditures.

Mr. Vener asked if there were any legal issues.

Mr. Mortillaro stated that there were a couple.

Ms. Aragon stated that she already spoke with Ms. Constantin.

Mr. Mortillaro asked if the Board members had any other items for the auditors to look at.

Mr. Vener asked for the Board to let him know if anything else comes to mind.

Mr. Mortillaro stated that Mr. Vener's number was on the presentation if they Board members had any questions.

B. Discussion and Review of Quarterly Investment Report

Ms. Aragon mentioned that The NCRTD began recently participating in the LGIP government investment fund, known as the New MexiGROW Local Government Investment Pool or LGIP, and other Certificate of Deposits from Local and surrounding banks in New Mexico. The NCRTD established the short-term investments (no more than 12 months) throughout various FDIC insured institutions in the state of New Mexico. The total amount set for investment totaled approximately $5,975,492.

Ms. Aragon continued stating that there was approximately $1.7 million in the District's operating bank account. As of June 30, 2014, the total Investment inclusive of interest revenue is $5,981,186, with a total earning of $5,693.95 since the accounts have been established and began earning interest. The average rate of return is .325% with and average earned income of $356. The highest earned income is .70% with US New Mexico FCU for a 6 month term earning the district a total of $598.10 in interest; this will be renewed for an additional 6 months. The current Quarter from April-June of 2014 earned a total of $3,466 in interest, and last Fiscal Year (FY2013) the district generated approximately $3,377 in total, which has already been surpassed in approximately 5 months.

Ms. Aragon referenced the Certificate of Deposit Report on page 4 of the packet. She stated that 12-month CDs make up a total of 18% of the District's Investment Portfolio;

the 9 to 11-month CDs make up 12%; 6 to 8-month CDs make up 21%; 3 to 5-month CDs make up 17%; and LGIP makes up a total of 32%.
Councilor Sheehey asked if LGIP was like a checking account.

Ms. Aragon stated that it was. She noted that it held a high liquidity, which was done purposely for safety reasons. For instance, if the District called to request all of their money be removed from LGIP, the District would receive their funds within 48-hours.

Ms. Aragon went on to mention that the District was making more than they were in their checking account. Although LGIP is not a whole lot better, the earnings are at .100433%. She continued, stating that there was about 48 municipalities and special districts currently contributing to the LGIP pool.

Ms. Aragon proceeded, stating that the District investment strategy is passive. Given this strategy, the Ms. Aragon and Mr. Mortillaro have determined the market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill in which as of June 30, 2014 the 91 day rates are paying at .04%; the District is averaging a rate of return at .325%

Mr. Mortillaro stated that U.S. Treasury Bill rate is the benchmark that the District must meet. However, the District has exceeded that amount substantially.

Mr. Mortillaro moved on, stating that the District has set up a sweep account at LANB. He asked Ms. Aragon to discuss the item further.

Ms. Aragon stated that the District created a sweep account at LANB, by which a total of eleven (11) accounts are held there. This account is set up for when the cash account exceeds a certain amount, the excess balance will be swept into a higher earning money market account so that those funds are invested.

Mr. Mortillaro asked if there were any comments or questions.

Mr. Vigil stated that there were none.

Mr. Cordova commended the District for all of their hard work.

It was recommended that the Finance Committee discuss and review the information presented in relation to the LGIP and District Division of Certificate of Deposit Investments report, and recommend that the Board of Directors review the information presented.

Mr. Cordova made a motion to pass on to the Board of Directors for review. Councilor Sheehey seconded the motion and it passed by unanimous voice vote (3-0).

C. Minutes from May 23, 2014

Mr. Mortillaro asked the Finance Subcommittee to review and approve the minutes from May 23, 2014.

Councilor Sheehey made a motion to approve the minutes from May 23, 2014 as presented. Mr. Cordova seconded the motion and it passed by unanimous voice vote (3-0).

MATTERS FROM THE SUBCOMMITTEE

Mr. Mortillaro noted that there would not be a subcommittee meeting in September.

Ms. Aragon stated that field work would commence at the end of September or the beginning of October for the audit.

Mr. Mortillaro stated that the Board meeting would be held September 5, 2014 and the 10th Anniversary would be held September 12th.

ADJOURN

The Finance Subcommittee meeting was adjourned at 10:03 a.m.

The next Finance Subcommittee meeting will be held on November 21, 2014 at 9:00 a.m.